Updated Budget Operations Framework – February 2017

DTF is pleased to announce the release of an updated Budget Operations Framework (BOF). The updated BOF is the result of a detailed review of the policy content and consultation with departments.

## What are the key changes from the previous version of the BOF?

Primarily the changes in this updated BOF are:

* the revision of some of the mandatory requirements;
* the re-write and edit of existing guidance to improve clarity and readability, and removal of any redundant material; and
* the addition and expansion of material on specific topics (such as budget supplementation options, hypothecation and central contingencies).

The content largely reflects existing practices and policies. A table which tracks the changes by section and chapter is set out in the next few pages.

## When does the updated BOF apply?

The updated BOF is effective immediately, as it largely reflects existing practices and policies.

## Link to the Standing Directions

Under the [2016 Standing Directions of the Minister for Finance](http://www.dtf.vic.gov.au/Publications/Government-Financial-Management-publications/Standing-Directions-of-the-Minister-for-Finance-2016/Standing-Directions-2016-publications), departments are required to apply the BOF (Direction 4.3).

Departments are subject to the compliance requirements set out in the 2016 Directions in relation to the frameworks. This includes public attestation of compliance in annual reports from 2017-18. See the 2016 Directions for more information, and particularly Direction 5.1.

## Feedback and suggestions

## Departments can ask questions or provide feedback on the updated BOF by contacting financial.frameworks@dtf.vic.gov.au.

## Summary table of the major changes in the updated BOF

| Topic: | Old BOF Section no. | Updated BOF Section no. | Comments |
| --- | --- | --- | --- |
| Legislation and practices supporting the State’s financial management framework | 1 | n/a | Revised and replaced by sections: * Setting the Context for the State’s Budget
* The legislation supporting the State’s resource management framework
* The State’s appropriation framework

Section 1 - Mechanisms available to manage departmental funding levels |
| Appropriations | 1.1 | n/a |
| Appropriation of certain revenue and asset proceeds – Section 29 of the FMA | 1.2 | 1.1 | This section, including the mandatory requirements, has been rewritten for better clarity. Policy substance essentially unchanged. |
| The Trust Fund and trust accounts | 3.1 | 1.2 | This section, including the mandatory requirements, has been rewritten for better clarity. Policy substance essentially unchanged. New guidance has been included on ‘Specific requirements in relation to the Treasury Trust Fund’. |
| Budget supplementation | 1.5 | n/a | Removed and replaced by specific topics on supplementation options (refer sections 1.3 to 1.9 below) |
| **Treasurer’s Advance (for urgent and unforeseen claims)** | n/a | 1.3 | New section |
| **Supplementation under Section 35 of the FMA** | n/a | 1.4 | New section |
| **Borrowing against future appropriations - Section 28 of the FMA** | n/a | 1.5 | New section |
| **Transfers between items of Departmental appropriation – Section 30 of the FMA** | n/a | 1.6 | New section |
| Carryover (of unused appropriation) – Section 32 of the FMA | 1.3 | 1.7 | This section, including the mandatory requirements, has been rewritten for better clarity. Policy substance essentially unchanged. |
| **Access to previously appropriated amounts under Section 33 of the FMA** | n/a | 1.8 | New section |
| **Public Account Advances s37** | n/a | 1.9 | New section |
| Departmental surpluses | 1.4  | 2.1 | This section, including the mandatory requirements, has been rewritten for better clarity. Policy substance essentially unchanged. |
| Depreciation and depreciation equivalent | 4.2 | 2.2 | This section, including the mandatory requirements, has been rewritten for better clarity. Policy substance essentially unchanged. |
| Long Service Leave and long service leave equivalent | 4.4 | 2.3 | This section, including the mandatory requirements, has been rewritten for better clarity. Policy substance essentially unchanged. Clarification on policy on transfers of LSL balances provided. |
| Asset funding | 4.1 | 3.1 | This section, including the mandatory requirements, has been rewritten for better clarity. Policy substance essentially unchanged. |
| Capital Assets Charge | 4.3 | 3.2 | This section, including the mandatory requirements, has been rewritten for better clarity. Policy substance essentially unchanged.  |
| **Hypothecation arrangements** | n/a | 4.1 | New section |
| **Central contingencies** | n/a | 4.2 | New section |
| The State Administration Unit (SAU) | 2 | 5.1 | No change |
| The SAU dissection | 2.1 | 5.2 | No change |
| **Policy vs. non-policy journal entries** | n/a | 6.1 | New section |
| **Rollover process** | n/a | 6.2 | New section |
| SAU dissection template | Attachment 1 | Attachment 1 | No change |
| The history of the establishment of the SAU | Attachment 2 | Attachment 2 | No change |
| Depreciation equivalent diagram | Attachment 3 | Attachment 3 | No change |
| Pro-forma journal entries for LSL transactions  | Attachment 4 | Attachment 4 | No change |
| Diagrammatical representation of LSL funding  | Attachment 5 | Attachment 5 | No change |
| **Redundancy payments** | 4.5 | n/a | Moved to the Financial Reporting Operations Framework (FROF) |
| **Superannuation expenses and liabilities** | 4.6 | n/a | Moved to the Financial Reporting Operations Framework (FROF) |
| **Annual leave** | 4.7 | n/a | Moved to the Financial Reporting Operations Framework (FROF) |